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TAGS: EFIN ECON KCRM SNAR JO
SUBJECT: Jordan Securities Commission Adopts AML Regulations

¶1. (U) Summary: The Jordan Securities Commission Board of Commissioners issued anti-money laundering (AML) regulations for securities activities on June 23. The regulations went into effect on July 31, following their publication in the Official Gazette. The regulations are consistent with both the recommendations of the Financial Action Task Force and the requirements of Jordan's AML Law No. 46 for 2007, and are noteworthy because they define obligated entities falling under the regulatory purview of the Commission; establish requirements for creating effective internal AML programs; establish record keeping requirements; and require specific due diligence procedures for dealing with high risk customers including politically exposed persons. Post facilitated technical assistance to ensure that the new regulations are consistent with international standards. End summary.

New Regulations Emphasize Customer Identification

¶2. (U) The Jordan Securities Commission (JSC) Board of Commissioners issued anti-money laundering (AML) regulations for securities activities on June 23; the regulations took effect July 31 upon publication in Jordan's Official Gazette. The new regulations are consistent with the recommendations of the Financial Action Task Force and Jordan's AML Law No. 46 for 2007. The most important issue covered by these regulations is the need for obligated entities under the regulatory supervision of the JSC to exercise due diligence measures, including verifying a customer's identity and activities, and also confirming the true beneficial owner of securities prior to entering into a financial relationship. The regulations also prohibit dealing with unidentified customers or those who have fictitious names, and mandate constant updating of customer identification. In addition, the regulations establish procedures for identifying and verifying the identity of natural and legal persons in accordance with FATF Recommendation V.

¶3. (U) The regulations further specify conditions that require increased customer due diligence, such as dealing with high risk customers (defined as politically exposed persons - PEP - including their families), citizens of countries that have insufficient AML legislation, customers who pose risks associated with non-face-to-face transactions, and charitable organizations.

New Requirements for Financial Service Providers

¶4. (U) The regulations define obligated entities as: financial services companies, custodians, shared investment companies, and

shared investment funds. Each obligated entity must assign an advice officer (compliance officer) and specify the officer's qualifications and duties, as well as the procedures to be followed in reporting suspicious activity. The obligated entity must create AML policies, procedures, and internal controls to identify suspicious activity and present the entities AML plan to the JSC. All records and documents must be kept for five years after the end of the relationship between a customer and the obligated entity or after the date of the last transaction carried out by the customer.

¶5. (U) Even though obligated entities have six months from the date of implementation to comply with the new regulations, requirements for reporting suspicious activity to the AMLU have been in place since July 17, 2007, when the Anti Money Laundering Law went into effect. The regulations mandate that reporting requirements are to be initiated immediately.

¶6. (SBU) Comment: Issuance of the regulations represents a positive step forward for Jordan's regulatory environment for financial crimes. It also highlights strong, bilateral cooperation, resulting from U.S. Treasury Office of Technical Assistance (OTA) engagement with the JSC since 2006. The JSC has been a strong proponent of the AML Law and the AMLU. In February 2008, an OTA Enforcement Team intermittent advisor assisted the JSC by reviewing the draft regulations and advising how to make them conform to international standards. The OTA advisor worked with the OTA Resident Enforcement Advisor and the AMLU in training members of the JSC in recognizing risks in the securities sector and red flag indicators of suspicious activity related to money laundering and terrorist financing. The lack of comprehensive legislation addressing terrorist financing, however, remains a gap in GOJ efforts to impede money laundering and terrorist financing on which Post and key GoJ partners are focused.

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